

March 19, 2004

VIA E-MAIL AND U.S. MAIL

Mr. Jeremy Arrich
DWR, DPLA
P. O. Box 942836
Sacramento, CA 94236-0001

Re: Comments of Pacific Gas and Electric Company on the In-Delta Storage
Reports – State Feasibility Study

Dear Mr. Arrich:

Pacific Gas and Electric Company (PG&E) submits the following comments on the In-Delta State Feasibility Study Reports as they pertain to the proposal to convert Bacon Island from its present agricultural use, to a water storage reservoir. PG&E has been an active participant in the state study and in the earlier review of the Delta Wetlands' water right applications before the State Water Resources Control Board.

PG&E's interest in these proceedings has been to disengage its important natural gas transmission lines that cross Bacon Island from what we believe would be unacceptable operational risks of having them submerged under a major water storage reservoir. PG&E is not opposed to the concept of building a substantial water storage reservoir on the site of Bacon Island, but believes that it is in the best interests of both the operation of the storage reservoir and the security and maintenance of the gas pipelines that they be relocated from Bacon Island by the storage project to an alternate right of way.

As you are aware, the State Water Resources Control Board decision (D-1643) on the Delta Wetlands water rights applications contains several requirements related to PG&E's gas transmission lines on Bacon Island that must be satisfied prior to either the construction or operation of their proposed water storage project. These issues are acknowledged in Section 8.4.3, on page 128 of the Draft Summary Report (Jan. 2004). In the intervening years, PG&E and Delta Wetlands have engaged in an ongoing settlement discussion on these issues.

One aspect of these discussions has been our position that any agreement would apply only to the construction and operation of the storage project as described by Delta Wetlands in their water right applications and environmental documents. For example, Delta Wetlands proposed operational schedule would have a yearly dry season, when we could access the pipelines for repairs. Delta Wetlands proposed building a road parallel to the pipeline right of way to facilitate these activities.

It is apparent from our review of the current proposed water storage project described in the Feasibility Study, that there would be many significant changes in both the construction and operation of the water storage project. These would include substantial redesign and enlargement of the parameter containment structure and an operating plan that may not have any yearly dry period. On page 18 of the Information Package of the CalFed Science Public Workshop, it is stated that in evaluating the environmental consequences of the storage project there was no simulation of a drying of the reservoir beds. Moreover, the operating scheme would likely include the direction that, "With management of diversion and release operation, reservoirs would not reach extreme low or dry bed stage." Additionally, the benefit of carry over storage is discussed in section 5.3.3 of the Draft Report on Operations (Dec. 2003).

As you may be aware from the record of the Delta Wetlands Water Board proceeding, the gas lines on Bacon Island are the only interconnection between the McDonald Island Gas Storage Facility and the backbone of the gas transmission system that serves PG&E's core and non-core customers. We have the capability to withdraw from storage on McDonald Island a third of the gas needed by our customers on a cold winter day. Any compromise of the interconnection could have extremely serious consequences for extended disruption of service to a large customer base, including curtailing gas-fired electric generation and gas price spikes in the available spot market.

All this leads us to the undisputable conclusion that both PG&E and the State Water Project, or other operator of a water storage reservoir on Bacon Island would be better off if the project includes the relocation of Line 57 B off of Bacon Island. While high-pressure natural gas transmission lines routinely cross small waterways we are not aware of any that are permanently located beneath a major reservoir. When a new reservoir is proposed, gas transmission lines are routinely relocated out of harm's way. Apart from PG&E's added cost and delay in repairing the pipeline, a significant reason for the reservoir operator is the elimination of unnecessary burden of having to release stored water at an inopportune time, so as to facilitate access to the pipeline. An example of this separation occurred not far from the Delta with the relocation by the project proponent of two PG&E gas transmission lines that would have been inundated under part of the Los Vaqueros Reservoir.

Additionally, from a planning standpoint, if you assumed that the gas pipelines would not be relocated, then the impact of making unplanned water releases to accommodate work on the gas transmission lines should be included in the CALSIM model runs and added to the impute to the economic models listed in section 3.6 (including revisions to the list) on page 16 of the Draft Report on Operations (Dec. 2003).

Mr. Jeremy Arrich
March 19, 2004
Page 3

Lastly we do not believe that the cost of relocating gas transmission from Bacon Island will be a significant addition to the overall long-term cost of the In-Delta storage program. We note that the draft reports prepared for the Feasibility Study apparently assume costs for the relocation of PG&E's gas pipelines on Bacon Island. For example, on Table 5.4 (Summary of In-Delta Storage Project Costs) on page 92 of the latest Draft Summary Report, an entry of \$15 million is shown as the cost of "PG&E Pipeline & Electrical Relocation." If additional funds already included in the total project cost and designated for contingency and engineering design, construction management and legal are proportionally added, it is likely that this estimate is within an order of magnitude of the likely actual cost of the gas pipeline relocation (\$40 million est.). These costs will probably may well be less than many of the stated engineering cost contingencies.

Agreement to relocate Line 57B will satisfy all of the PG&E pipeline contingencies that are included in D-1643. This will remove a major existing impediment to any plan to construct a water storage reservoir on Bacon Island in the Delta.

We are available to discuss these matters with the study team.

Sincerely,

/s/ Richard H. Moss

Richard H. Moss

RHM:vm

cc: Garry Grelli
Todd Hogenson

Mr. Jeremy Arrich
March 19, 2004
Page 4

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